MERCIALYS



2023 INTEGRATED REPORT

EXTRACT FROM THE UNIVERSAL REGISTRATION DOCUMENT

FINANCIAL CALENDAR

April 18, 2024[1]
2024 first-quarter activity

April 25, 2024
Annual General Meeting

April 29, 2024[2]
Ex-dividend date

May 2, 2024[2]
Dividend payment

July 24, 2024[1]
2024 first-half results

July 25, 2024
Financial information meeting

October 17, 2024[1]
Activity at end-September 2024

Important information

This integrated report is modeled on the reference framework established by the International Integrated Reporting Council (IIRC). It covers all of Mercialys' consolidated entities and naturally contains forward-looking data and information.

This document contains certain forward-looking statements regarding future events, trends, projects or targets. These forward-looking statements are subject to identified and unidentified risks and uncertainties that could cause Mercialys' actual results and strategy to differ materially from those anticipated in or based on these forward-looking statements.

Please refer to Mercialys' Universal Registration Document for the year ended December 31, 2023, available on the Company's website (www.mercialys.com), and specifically Section 5 "Risk factors", for a description of the main risk factors and uncertainties that could affect Mercialys' business.

Mercialys makes no undertaking in any form to publish updates or adjustments to these forward-looking statements, nor to report new information, in case of future events or any other circumstances that might cause these statements to be revised.

(1) After market close.
(2) Subject to approval at the Annual General Meeting on April 25, 2024.

MESSAGE FROM THE CHAIRMAN, ÉRIC LE GENTIL

2023 was marked by the international tensions, as well as social disruption in France, the inflationary context and the climate emergency. In this environment, Mercialys offers a profile that combines stability and resilience, reflected in a sustained return, fulfilling its role as a listed real estate investment company.

Dear stakeholders,

With its long-term operational focus, the real estate sector has faced a series of crises over the last three years linked to the pandemic in 2020 and 2021, the Ukrainian crisis and the sharp rise in prices and interest rates that began in 2022 and continued in 2023. However, faced with this disruption, Mercialys' indicators show positive trends, from both an operational and a financial perspective, enabling it to submit a proposal to its shareholders, in April 2024, for a higher dividend of Euro 0.99 per share, delivering a return on its very strong share price of nearly 10%.

I would like to express my gratitude to the Company's teams who have coped with the various disruptive factors from the past few years, and whose commitment and dedication enable Mercialys to maintain a high occupancy rate for its assets, as well as an industry-leading operating margin and net recurrent earnings per share growth of + 3.3%, higher than our target of + 2%.

Alongside this, despite the adverse impact of interest rate rises on asset values, the Company's loan to value ratio remains effectively under control thanks to Mercialys' financial management, protecting its core balances and supporting its headroom for investment in 2024.

In addition, Mercialys' corporate social responsibility commitments continue to be an integral part of its business model. The Company has made concrete progress with various major milestones, moving forward with the rollout of its 2020-2030 strategy. A number of accomplishments are presented in this document relating to the climate, societal and governance challenges faced and the stakes involved. I would like to highlight some outstanding results, published by the leading sustainability rating agencies and public authorities, which illustrate your Company's tangible achievements. For instance, in 2023, Mercialys was once again ranked second for the representation of women in management structures on the SBF 120. The Company also maintained its second-place ranking in its category (listed retail property companies in Europe) in the GRESB[(1)]. Lastly, in February 2024, Mercialys was included in the Carbon Disclosure Project's Climate A List for the sixth consecutive year.

These performances make it possible to look ahead to 2024 with confidence Your Company has a portfolio of assets on a human scale in dynamic mid-size cities which has demonstrated its solidity across multiple cycles.

This year is also expected to see a positive diversification of the Company's rental exposure to include leading French food retailers, through the Casino group's divestment of various business assets. Lastly, Mercialys has continued to put in place tools that will support its capacity for innovation, as illustrated by its acquisition of a stake in the DEPUR group, a major player in the Food & Beverage & Entertainment sector.

The interest acquired in ImocomPartners, an investment management company, will also pave the way for new investments.

Yours sincerely.

Éric Le Gentil
Chairman of the Board of Directors

(1) Global Real Estate Sustainability Benchmark.

QUESTIONS FOR THE LEADERSHIP TEAM

HOW WILL THE COMPANY'S BUSINESS MODEL BE RECONCILED WITH THE PURCHASING POWER PRESSURES FACING CONSUMERS?

While inflation remained high in 2023, consumption in France did not see any major drop, supported no doubt by the relatively favorable employment trends and strong savings rate. Nevertheless, French consumers were forced to make various trade-offs.
This pressure linked to the general environment and the withdrawal of the support measures granted to retailers during the health crisis led to difficulties for a certain number of retailers, particularly in the already fragile textiles sector.
Mercialys successfully maintained a high occupancy rate across its portfolio. To achieve this, the excellent geographical positioning of the Company's sites, the regular investments made to support their attractive features, and the price positioning of the retailers, which Mercialys pays particular attention to when selecting its tenants, are all decisive factors.
The benefits of this efficiency of the Company's sites are fully shared with its tenants, which saw their sales increase in 2023.
The growth in Mercialys' rents remained in line with indexation, a fundamental channel for transmission for the real estate ecosystem. While prices saw an upwards trend, leading to higher indexation in 2022 then 2023, interest rates also rose sharply.
Real estate companies use debt to finance the holding of real estate assets and are therefore exposed to changes in borrowing costs. Indexation makes it possible to absorb this impact with a balanced approach.

WHAT DOES THE CASINO GROUP'S RESTRUCTURING MEAN FOR MERCIALYS?

The Casino group withdrew from Mercialys' capital in April 2023, and all the support functions that were historically outsourced by the Company have been brought back in-house. At the end of 2023, Casino was still a tenant for several hypermarkets anchoring Mercialys centers.
The Casino group will sell virtually all of its hypermarket operations to other major French food retailers : Intermarché, Auchan and also Carrefour.
These developments will benefit Mercialys as a landlord through a better diversification of its tenants with solid operators.
Mercialys will become the only European retail property company to partner with all of France's main food retailers, positioned to support them with the resizing of their stores.
To date, some sites will not be taken over and will continue to be managed by Casino. However, the attractive locations of these hypermarkets, in a context in which regulations are drastically limiting new openings, indicate that business assets are expected to be sold to other operators in time.
While the synergies between the centers and food anchors in terms of footfall and sales are limited, the Company's exposure to hypermarkets makes sense.
On the one hand, from an operational perspective, because the attractive price positioning of these food retailers supports the retail mix of affordable day-to-day products offered by retailers in Mercialys centers.
On the other hand, as a foundation for recurring index-linked revenues, contributing to the stability of the Company's profile.

WHAT CAN SHAREHOLDERS EXPECT TO SEE IN 2024?

The central banks' position concerning changes in rates remains uncertain, which continues to represent a source of uncertainty for a real estate sector which may be affected through changes in the value of its assets in particular.
However, Mercialys continues to benefit from a resilient risk profile, thanks to the strength of its sites and its balanced financial ratios.
The Company will also benefit from the relaunch of the hypermarkets anchoring its portfolio, deploying its resources to work on its project pipeline and potential for investments.
These fundamentals make it possible to set a net recurrent earnings per share growth target of + 2% for 2024, with a dividend to range from 75% to 95% of these net recurrent earnings.



Elizabeth Blaise
Deputy Chief Executive Officer
and **Vincent Ravat**
Chief Executive Officer

€2,872.0M
portfolio value
(including transfer taxes)

€109.0M
net recurrent earnings

€0.99
dividend per share

MERCIALYS ESSENTIALS

Founded in 2005, Mercialys is one of the leading real estate companies in France and Europe. Adapting center formats to further strengthen their attractive positioning and optimize their value, supporting our partner retailers and helping them to anticipate consumer trends are at the heart of the Company's strategy.

OUR VALUES

Proximity
Agility
Commitment
Innovation

OUR MISSION

Satisfying the day-to-day needs of as many clients as possible

OUR VISION

Offering shopping centers that are leaders in their catchment areas, are on a human scale, have close links with their communities and create sustainable value for all our stakeholders.

Mercialys' portfolio is made up of 48 shopping centers[1], with nearly 780,000 sq.m of space. The Company's assets are home to around 800 international, national and local retailers, attracting more than 110 million visitors each year.

Mercialys' asset portfolio is made up primarily of leading retail sites, located in mainland France and on Reunion Island and positioned in key regional hubs with demographic and income trends that are higher than the national average. These shopping centers on a human scale are located close to vibrant midsize cities are outstanding examples of convenience retail.

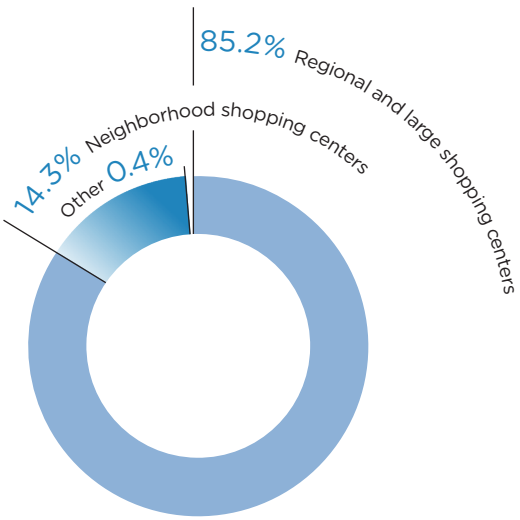
Looking beyond the intrinsic quality of Mercialys' portfolio and the buoyant underlying socioeconomic factors, the Company is developing a proactive portfolio management approach, while capitalizing on its entire range of expertise, from asset management to lettings, operations, CSR, physical and digital marketing, to further strengthen their appeal.

BREAKDOWN OF THE PORTFOLIO BY REGION[2]



BREAKDOWN OF ASSETS BY CATEGORY

% of the portfolio's total value including transfer taxes



(1) In addition to two geographically dispersed assets.
(2) Excluding dispersed assets.

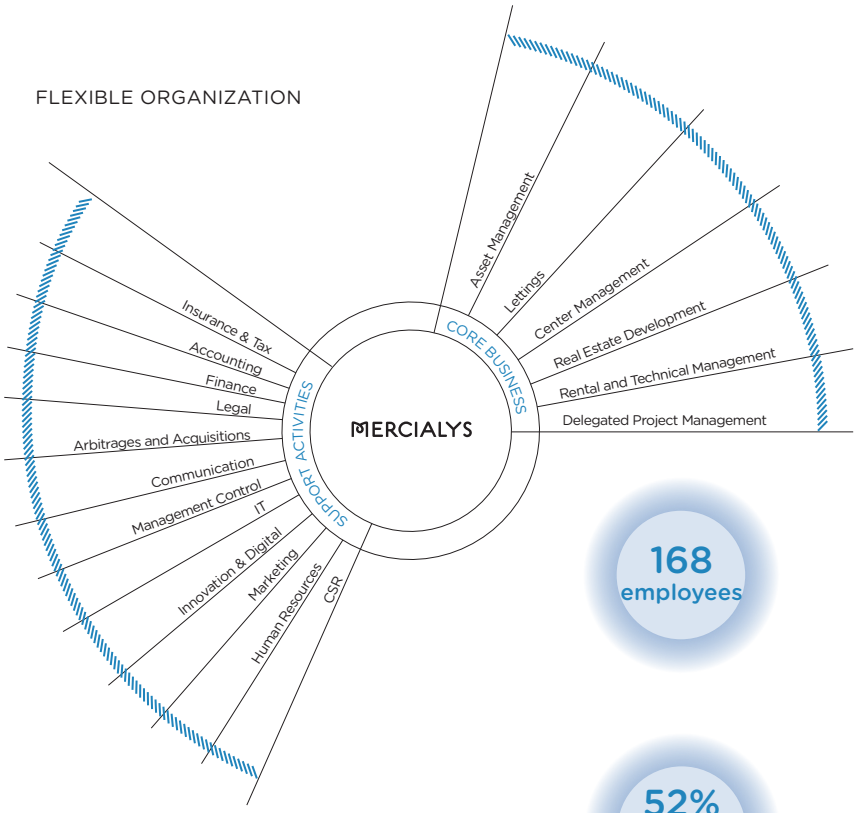
Mercialys also applies a proactive, but rational development strategy, reallocating the proceeds from the disposal of its assets that have reached maturity to support its development project pipeline or acquire assets, while safeguarding its balance sheet positions.
The sharp rise in interest rates from mid-2022 led to a 44% contraction in the volumes invested in retail real estate in 2023 according to the latest study by Knight Frank (review of 2023 and outlook for 2024). Mercialys has continued to apply its very rigorous approach to selecting targets, while maintaining its profitability requirements for acquisitions, with a target of 250bp above the refinancing cost. As it did not identify any targets that met this demanding criterion, the Company did not acquire any retail assets last year.

However, Mercialys carried out two external growth operations in 2023 in line with its commitment to developing and creating new real estate tools. In December 2023, Mercialys finalized its acquisition of a 30% stake in the investment management company ImocomPartners. The company acquired manages the OPPCI investment fund ImocomPark, which holds a portfolio of 33 retail parks in France, with a total rental area of over 385,000 sq.
In July, Mercialys also became a shareholder in the DEPUR group with a 23% interest. This investment in this company specialized in the design and execution of major Food & Beverage & Entertainment (F&B&E) projects further strengthened Mercialys' expertise covering fine-grained consumption trends. At end-2023, the Company had a project pipeline representing Euro 430 million for the period from 2024 to 2028 and beyond.
This pipeline is constantly reviewed in order to ensure the relevance of the projects and their expected profitability. For development projects, the same profitability requirements are applied as for external growth, with a target yield of 250 bp above the refinancing cost.

Mercialys' business strategy is built around three core pillars:
• A precision retail mix.
Mercialys has developed a dynamic commercial strategy since it was created, tailoring its retail mix to each catchment area and regular changes in consumers' expectations;
• Creating service platforms in line with socioeconomic changes. The Company has developed a proprietary digital ecosystem, Le Shop, which includes a marketplace for each center. Le Shop offers clients all of the products available in the center, with the option to receive them at home or use the click and collect service through its Le Shop platform;
• Capitalizing on all spaces, thanks in particular to a modular layout design for centers, opening up opportunities for new forms of retail. The strong development of Casual Leasing, alongside traditional leases, provides a new dynamic approach thanks to the frequency of retailer rotations. Mercialys is also rolling out its coworking spaces through its Cap Cowork platform. 150 workspaces across four sites (Angers, Grenoble, Toulouse and Nîmes) are already in place, with a further six sites to open in the medium term.

As a leading retail real estate company, Mercialys interacts with retailers, end clients, public authorities and local non-profit organizations, and plays a key role in terms of achieving a balanced urban ecosystem. In line with this economic and societal responsibility, the Company is committed to listening to its stakeholders and operating with the greatest respect for ethics and compliance principles at all times.
Mercialys has a flexible, multi-local operational organization. It is structured around central functions, located at the Paris headquarters and Saint-Étienne site, that regularly carry out work on the centers, and operational teams, which represent 52% of the workforce and are permanently located at the sites. There is at least one center manager for each site, overseen by a regional director.

Mercialys has expertise across the entire retail real estate value chain since it brought back in-house the rental and technical management of its centers at the end of 2022.



168
employees

52%
of employees deployed on site

ROBUST BUSINESS MODEL THROUGH THE CYCLES

Mercialys is continuously transforming its retail offering and real estate assets to ensure increasingly close alignment with its clients' expectations. This strategy enables it to generate sustainable rental revenues, while respecting the environment. Mercialys' business model, built around six types of resources, is focused on creating both financial and sustainability-based value for all of its stakeholders.

Mercialys' business model has confirmed its resilience in an environment subject to various pressures, marked in the last three years by the health crisis, the geopolitical crisis in Ukraine and the return of inflation at levels not seen since the early 1980s. Mercialys' societal benefits, thanks to retail mixes focused on serving day-to-day needs for as many people as possible, were perfectly illustrated. The Company continued moving forward with its strategy to create value across its portfolio and its digital transformation. Mercialys is rolling out its innovative offers, including the Le Shop logistics services solutions and its 100% digital loyalty program Prim' Prim', as well as coworking spaces supporting the activity of its centers. In 2023, the Company made concrete progress with key milestones from the roadmap set out with its CSR strategy "4 Fair Impacts for 2030". Various objectives aimed at improving the environmental footprint of sites show very positive trends, with greenhouse gas emissions reduced by 25% in three years. This strategy also concerns the Company's ethical management, illustrated in particular by its workplace gender equality index rating of 93/100 in 2023, compared with a national average of 88/100.

Resources serving the strategy

ORGANIZATIONAL AND GOVERNANCE RESOURCES

- Organizational capital, perfectly reflected in the Company's four values: proximity, agility, commitment and innovation;
- Board of Directors aligned with best practices for independence and gender parity.

HUMAN RESOURCES

- 168 expert staff;
- 38.5 average age;
- 57% women;
- 74% management-grade employees.

INTELLECTUAL AND TECHNOLOGICAL RESOURCES

- Intangible capital, including the G La Galerie brand and Mercialys' digital ecosystem, with 1.0 million qualified clients in its databases.

FINANCIAL RESOURCES

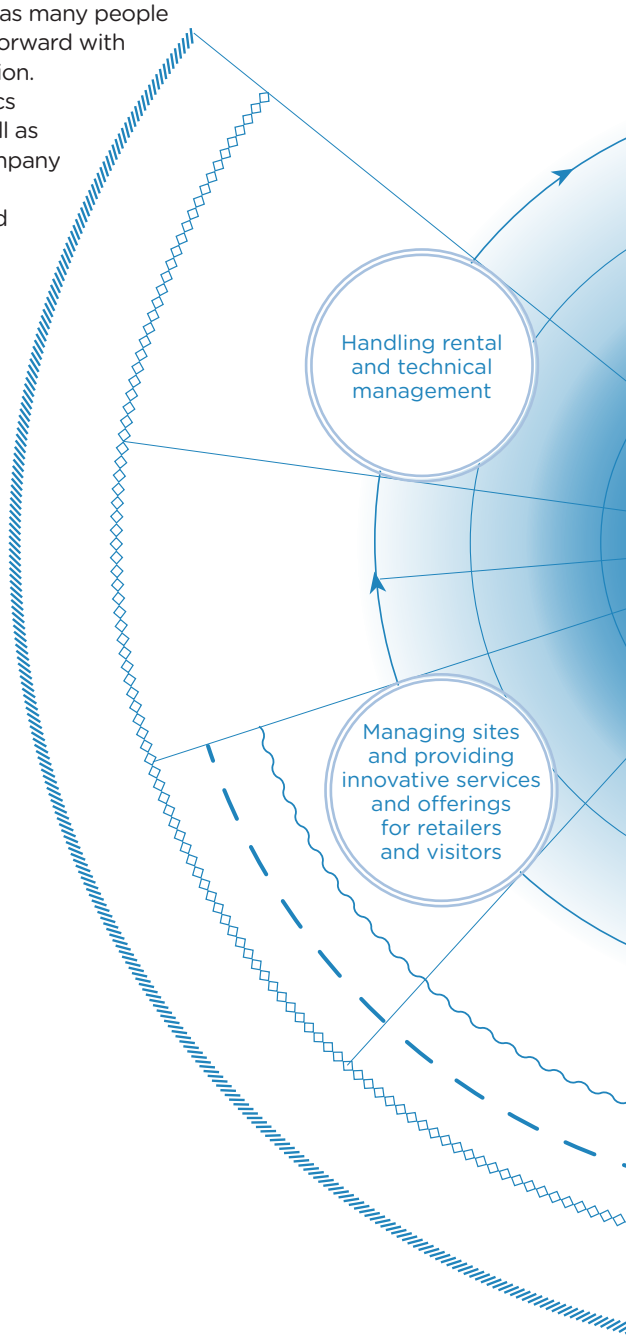
- Euro 385 million of undrawn financial resources;
- Resilient financial profile:
  - 2.3% (1) average cost of drawn debt,
  - 3.8 years average maturity of drawn debt,
  - 38.9% LTV excluding transfer taxes (2),
  - 5.1x ICR (3),
  - 7.1x net debt/EBITDA.

LAND RESOURCES

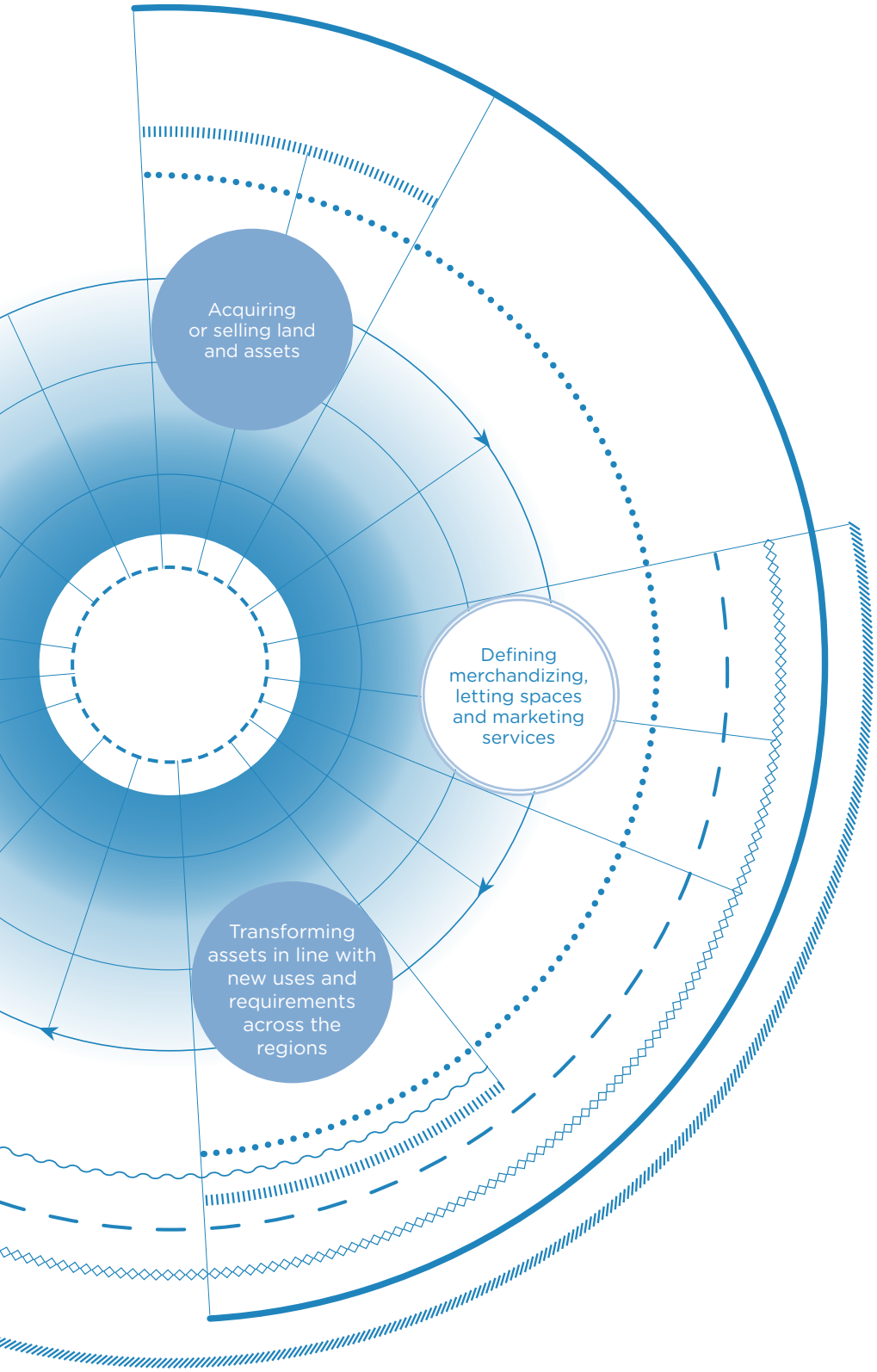
- Euro 430 million of development projects for 2023/>2028;
- 28 assets concerned, representing 58% of the number of assets in the portfolio (4).

ENVIRONMENTAL RESOURCES

- 100% of the strategic portfolio in value terms BREEAM In-Use certified;
- 36,566 MWh of energy consumed;
- 110,468 m^3 of drinking water consumed.



Virtuous circle of activities across the entire real estate cycle



Value creation shared with stakeholders

EMPLOYEES
- €20.2m of compensation.

PROVIDERS AND SUPPLIERS
- €12m of purchases.

FINANCIAL COMMUNITY
- €99.3m of dividends paid;
- €35m of financial expenses.

STATE AND LOCAL AUTHORITIES
- €0.5m of taxes.

PROFESSIONAL ORGANIZATIONS AND COMPETITORS
- €147k of annual contributions.

TENANT RETAILERS
- +2.2% sales growth in 2023;
- €5.8 of sales generated on average for each euro of vouchers spent with the loyalty program.

VISITORS AND END CLIENTS
- €6.7m budget for marketing funds, associations and economic interest groups (GIE [5]);
- Nearly 800 retailers present in the centers, ensuring a balanced retail mix focused on essential needs.

NON-PROFIT ORGANIZATIONS
- €218k of contributions to support the local non-profit ecosystem.

(1) This rate does not include the net expense linked to the non-recurring bond redemption premiums, costs and amortization, as well as the proceeds and costs from unwinding swaps in connection with these redemptions. / (2) LTV (Loan To Value): net financial debt / (portfolio market value excluding transfer taxes + market value of investments in associates for Euro 45.1 million in 2023 and Euro 52.7 million in 2022, since the value of the portfolio held by associates is not included in the appraisal value). / (3) ICR, Interest Coverage Ratio = EBITDA / net finance costs. / (4) Excluding the two dispersed assets. / (5) Groupement d'intérêt économique (GIE).

RETAIL REAL ESTATE AND CONSUMPTION TRENDS

As a retail real estate company, Mercialys' business is positioned at the crossroads between two key sectors for the French economy: retail and real estate.
The Company therefore faces two challenges:
1. Understanding changes in the way that end clients consume, and adapting accordingly to support and meet the needs of its tenant retailers;
2. Managing its real estate portfolio effectively and specifically its ability to transform them and develop their value in line with its positioning as a multi-local real estate company, the new conception of urban spaces and the challenges relating to the green transition.

Triple polarization of flows

Real estate and retail are two sectors that are constantly evolving and follow the latest lifestyle developments. After seeing strong growth, linked to the health crisis in 2020 and 2021, e-commerce product sales dropped 7% in 2022, with this trend continuing in 2023, down 1.8% (source: Fevad[(1)]). The market share of e-commerce within the retail sector is expected to see a further decline in 2023. It came to 12.4% in 2022, down - 1.3 points from 2021, linked to the gradual reopening of physical stores. E-commerce seems to have found its position within consumer habits and has more or less replaced the mail-order sales from the 1970s. An Odoxa study for Fevad from February 8, 2024 shows that consumers are in favor of e-commerce in their day-to-day lives (time savings, price comparison, opening times, etc.). It provides valuable help in terms of supporting preparations to make in-store purchases.

However, the vast majority of consumers are still very attached to physical retail for finalizing their purchases, and a Quantaflow study from September 2022 found that 70% of them appreciated returning to their stores following the various lockdowns.

2023 saw inflation remain high, particularly food inflation, which, on account of the recurrence of these purchases, weighed on household purchasing power and resulted in extensive trade-offs within the purchases made. In this context, consumers appreciated the services offered by hypermarkets, which are still the preferred retail channel for "improving their purchasing power" according to an Opinionway study for Bonial from December 2023.

POLARIZATION OF REGIONS

Growth in the population, employment and wealth tend to be concentrated in the Paris Region and in France's coastal and border areas.

POLARIZATION TOWARDS PERIPHERAL AREAS

Outside of the Paris Region and very large cities, this growth tends to be concentrated in out-of-town areas, rather than city centers.

POLARIZATION AROUND MASTER AREAS

In these medium-sized cities, consumption is concentrated in dominant out-of-town retail hubs, which account for the majority of retail stores and are preferred destinations for consumers.

(1) French e-commerce and distance selling federation.

The changes in consumption habits are therefore opening up opportunities for real estate companies if they can successfully identify the complex underlying factors behind them.
Drawing on its experience and listening to its stakeholders, Mercialys, through its strong local roots and its development of business intelligence tools, has a fine-grained understanding of the various trends, with a view to anticipating these changes.

In light of mobility constraints, specific regional development trends and French lifestyle choices, a polarization can be seen on three levels in particular.

This polarization is linked directly to the different forms of transport and residential preferences.

The public consultation process Habitons la France de demain (Living in the France of tomorrow) in October 2021 perfectly illustrated the complex realities of regional development to reconcile the political ambition for intensive urban development and individual aspirations for a more dispersed approach.

This study showed that the primary concern of the people surveyed relates to the way we consume, reflected in the very widespread use of large-format stores, where the choice of products, diverse store selection and prices are more attractive than with e-commerce.

Diverse consumption practices and expectations

The expectations and practices of people living in very large and medium-sized cities in France are summarized below:

	HOUSING	MOBILITY	CONSUMPTION
VERY LARGE CITIES	• Intensive and focused on centrality • Collective • Reduced living spaces, notably limiting storage capacity	• Extensive public transport network and use of soft forms of transport • Reduced number of car owners, against a backdrop of restrictive public policies for this means of transport	• Fragmentation in time and space • Multiple buying journeys • Weaker commercial loyalty
MEDIUM-SIZED CITIES	• Extensive and focused on peripheral areas • Low-rise individual homes • Larger living spaces, notably with possibilities for storage	• Weaker regional coverage with public transport, against a backdrop of public policies to rationalize the network • Virtually systematic and daily use of cars and reduced use of soft forms of transport in relation to the distances to be covered	• Concentration in master areas • Increased recurrence • Interest in local products

Understanding and addressing consumers' needs through retail offerings adapted to the realities of each region is therefore an essential condition for performance in retail real estate. The sustainability of the portfolio's value depends on the Company's ability to provide an effective response to the expectations of target clients, while the size of the sites is not a criterion for performance or resilience.

Accessibility is a key factor since cars are still the widely preferred option. Similarly, the client experience is still crucial and goes hand-in-hand with the investments made to continuously renew the appeal of both the centers and the retail mix.
Ongoing dialogue with local stakeholders to ensure successful integration into the environment is also essential, along with the functional mix of the retail hubs, which attract an extensive and varied clientele.

Understanding consumers' needs…

Technological progress has made consumers fundamentally omnichannel and therefore relatively indifferent to whether their distribution channels are physical or virtual. They are essentially looking to meet their consumption needs, with ongoing trade-offs concerning the effort that is needed to acquire them.

Furthermore, pricing accessibility is a major determining factor for buying decisions in a country where more than 50% of consumption is linked to social transfers.

But it is not the only factor and new technologies are valuable tools, because they multiply the opportunities for contacts and exchanges with consumers in order to better understand their aspirations and provide an appropriate response.

Offering each client a personalized solution and understanding their expectations means being attentive to them and avoiding traditional undifferentiated sales and marketing approaches for instance. This is valid for both shopping centers and retailers, independently from their scale, their reputation or their business sector.

…to meet them effectively by adapting the offering

The digitalization of points of sale is a vital development in order to identify and support their expectations. However, this will not replace the in-store experience, which benefits from crucial assets in terms of the client experience (availability, practicality, traceability, after-sales service, advice, etc.).

The client experience and the human contact that it involves represent the primary determining factor behind consumers' preference for physical points of sale. This observation reveals the importance for retailers to adapt and modernize their formats and concepts, focused on more qualitative human interactions, within a highly regulated framework for using personal data.

Food purchases are still a bastion of physical retail and the hypermarket format in particular. The digital market share is 11.5% (Fevad), linked almost exclusively to the drive-through services offered by "physical" retailers. The market share of virtual operators in the food segment is close to zero. Excluding food, physical retailers have also largely contributed to the growth in e-commerce by developing their digitalization and responding to consumers' needs and constraints. Thanks to their omnichannel or phygital approach, these retailers are ramping up their ability to serve their clients' needs.

While they appreciate the services offered, the vast majority of consumers view delivery as an automatic entitlement, which complicates the resolution of the economic equation for last-mile logistics.

This issue is exacerbated in medium-sized cities, where extensive peripheral urban developments make it complicated to achieve scale effects.

In these areas, "ship from store" delivery appears to be the most financially and environmentally sustainable option.

Store designs are therefore expected to evolve in order to be able to satisfy the logistics, delivery and click and collect constraints involved with an omnichannel offering.

A trend for a specialization of the offering has also been seen for several years to respond to the growing demand for advice and fair prices among consumers.

The age of "everything under the same roof" is over. This specialization is essential for retailers across all sectors, leading to a rationalization of marketing positionings, the creation of real client expertise and a reallocation of resources.

This trend is illustrated by the realignment of several food retailers around their historic business, as well as the success achieved by medium-sized stores specialized in sport, leisure or household equipment.

VALUE PROPOSITION ALIGNED WITH THESE CHANGING REALITIES

The challenge for physical retail players concerns their ability to maintain their commercial and societal benefits, and therefore meet local consumers' needs across each site.

Faced with the growing complexity of client journeys, the winning players, in terms of both retailers and shopping centers, stand out through the following key features:
- **clear positioning** and **strong identity**;
- **renewed attractive** features, centered around **clients' expectations**
- culture of more **local** and **responsible** retail;
- **fluid omnichannel** logistics.

Since it was founded in 2005, when it listed on the stock market, Mercialys has been developing or restructuring its assets in line with this approach, building and ensuring the sustainability of market-leading shopping destinations.

The Company's long-term outperformance reflects its value proposition: offering end clients, through a network of shopping centers that are on a human scale and firmly established within their communities, the certainty that they will be able to find the essential products that they consume, helping immediately satisfy the needs of as many people as possible through a quick and simple buying experience, combined with value for money.

The Company's three longstanding areas of expertise guide this value proposition, supported by its proven ability to anticipate trends around the three priority pillars for development.

3 longstanding areas of expertise generating competitive advantages

REAL ESTATE KNOW-HOW
Portfolio of evolving, modular real estate assets

RETAIL KNOW-HOW
Adaptive, omnichannel retail concept

CSR KNOW-HOW
Powerful, responsible dynamics with strong local roots

3 core pillars for development

The Company has pioneered many different practices that have been adopted by the industry, such as Casual Leasing, a single commercial identity, coworking spaces, e-loyalty programs and reducing the size of hypermarkets.

The ambition is to convert the trends into outstanding ecosystems for retail, digital and logistics solutions, built around the foundations of a diversified selection with affordable pricing, adapted to local needs.

These pillars are broken down into a number of concrete operational projects, engaging all the employees, brought together in multidisciplinary project teams.

PILLAR 1 PRECISION MERCHANDISING
KNOWLEDGE AND PERSONALIZATION
Multiplying personalized interactions with retailers and end clients by further enhancing the Company's proprietary digital and service ecosystem.
DATA MONETIZATION
Developing a personalized offering, thanks to the analysis of proprietary data, while ensuring strict General Data Protection Regulation (GDPR) compliance, and the development of business intelligence (BI) tools to enable our commercial teams to improve the letting potential of our sites.

PILLAR 2 SERVICE PLATFORM
ADAPTED OFFERING AND SERVICES
Further diversifying the centers' offering by including more services, leisure facilities and non-retail circuits, for a richer, differentiating client experience.
FIRST-MILE AND LAST-MILE LOGISTICS
Developing services that integrate centers into the first-mile and last-mile logistics chain, capitalizing on Mercialys' digital maturity to accelerate the omnichannel dimension of its sites.

PILLAR 3 MULTI-FUNCTIONALITY AND STRONG LOCAL ROOTS
MOVING BEYOND THE TRADITIONAL USE OF CENTERS
Establishing the centers as functionally diverse spaces, capitalizing on space not used previously for letting, and integrating local stakeholders' aspirations for limiting urban sprawl.
STRONG MULTI-LOCAL ROOTS
Positioning the centers within a more responsible and sustainable approach to retail and consumption, adapted to local needs, while exploring alternative concepts and ramping up the selection of non-retail events offered at sites, to consolidate their legitimacy.

REAL ESTATE KNOW-HOW

Portfolio of evolving, modular real estate assets

Mercialys' first competitive advantage lies in its proven real estate know-how, enabling it to hold a portfolio of market-leading assets. Its centers are designed in line with the specific urban features of the various medium-sized cities, based around two key factors to ensure a successful buying experience: accessibility and efficiency.

ACCESSIBILITY is ensured through the sites' design and prime locations. Mercialys' assets:
- are always located at the heart of their primary catchment area, not far from city centers, or in densely populated peripheral areas;
- have outstanding transport links;
- and offer long opening hours, optimized parking facilities, clear signs inside the shopping centers, etc.

EFFICIENCY refers to an efficient buying experience, made possible by its assets, as well as the Company's ability to make rapid changes to them. The positioning of Mercialys' centers is focused on satisfying essential needs for as many consumers as possible. These neighborhood centers, while not in opposition to destination centers, are characterized by frequent and efficient client visits. Consumers prepare their visits beforehand and visit centers with a clearly defined buying journey in mind. The average visit time is under one hour. Mercialys' ability to restructure sales spaces within its portfolio ensures that they are always effectively aligned with the needs of retailers and end clients, while securing their leadership within their catchment area.



(1) On average.

To support its real estate excellence, Mercialys has applied a dynamic asset rotation strategy since it was founded. This is built around its asset management approach, selling mature sites, based on the Company's criteria, and making selective reinvestments in assets with residual development potential. This recycling of capital enables the Company to support its development, while keeping debt levels effectively under control.

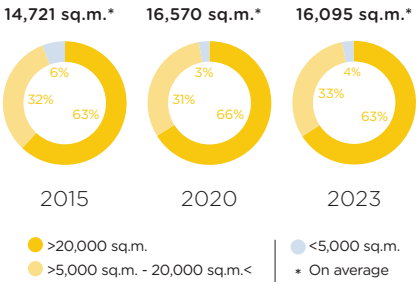
At end-December 2023, the Company's portfolio comprised 50 assets, with 48 shopping centers and two geographically dispersed assets, valued at a total of Euro 2,872.0 million including transfer taxes. These shopping centers have an average size of over 16,000 sq.m and an average value of Euro 59.6 million including transfer taxes.

This portfolio is made up primarily of sites that:
• are leaders or co-leaders in their catchment areas, *i.e.* located in key consumption areas in urban hubs;
• are located in dynamic regions in mainland France and overseas territories;
• offer residual real estate and commercial development potential.

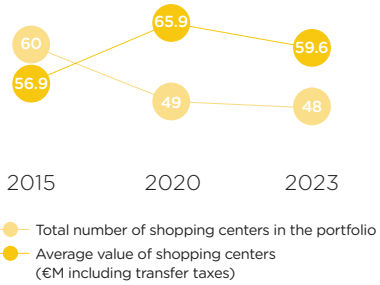
This realignment of the portfolio around a limited number of centers with critical mass enables Mercialys to optimize its asset management, which also contributes to its industry-leading position for profitability.

BREAKDOWN OF MERCIALYS' SHOPPING CENTERS

Size
(% of their value including transfer taxes)



Number and value
(€M including transfer taxes)



Guided by its focus on creating value, Mercialys always invests with a selective, rational approach. The Company has a flexible project portfolio, realigned in the last few years around projects making it possible to diversify the use of its centers.

In a retail property sector that has reached maturity, the Company's investments include a detailed analysis of dynamics for their catchment area and the rationale behind the allocation of capital over the medium term. These investments concern assets that are in the portfolio or under development, but may also include assets outside of the Company's current scope if they will be accretive in the short term and offer potential for creating value over the medium term.

At end-2023, Mercialys had a Euro 430 million project pipeline, with:
• retail space projects (redevelopment of retail spaces, extension of shopping centers, construction of retail parks);
• dining and leisure projects;
• tertiary activity projects (housing, healthcare, coworking, etc.).

Projects covering **28 OF THE COMPANY'S 48** shopping centers.

DIVISIBLE and **PHASABLE** projects, enabling quick project launches and completion schedules.

Projects exclusively at **EXISTING** sites (brownfield), with a fully **CONTROLLED** risk profile.

MERCIALYS' DEVELOPMENT PIPELINE
(in millions of euros)

	Total investment	Completion date
Committed projects[1]	20.2	2024/26
Controlled projects	181.2	2024/25
Identified projects	227.5	2025/>28
Total projects[2]	428.8	2024/>28

(1) The investments to be committed for the pipeline for 2023 correspond primarily to the Saint-Denis mixed-use urban project, north of Paris, and coworking spaces.
(2) Excluding the impact of mixed-use high-street projects, which could also generate margins.

RETAIL KNOW-HOW

Adaptive, omnichannel retail concept

Mercialys' second competitive advantage concerns its retail know-how, which aims to ensure that the products and services offered are perfectly aligned with the needs of retailers and end customers. Mercialys provides responses that are aligned with the transformations taking shape in the retail sector, built around two key success factors: balance and adaptability.

BALANCE refers first of all to the core offering of "recurrent" consumer goods at Mercialys sites, with 20% of listings consumed 80% of the time. It aims to satisfy the essential day-to-day needs of as many clients as possible, with affordable pricing and products, which is a key factor in consumers' choices. This balance is also reflected in the diverse retail mix achieved, in terms of exposure to both different segments and types of retailers, making the assets highly resilient.

ADAPTABILITY characterizes the ability of these retail mixes to evolve in response to changes in the catchment areas' requirements, consumer habits, different times of the year, etc. From this perspective, Casual Leasing complements traditional leases, providing a strong source of retail innovation and opportunities for centers to stand out. Adaptability also refers to Mercialys' ability to understand and satisfy the increasingly specific and individualized expectations of versatile and demanding consumers.

Breakdown of annualized contractual rent by business sector

Personal items	29%
Food-anchored tenants	21%
Culture, gifts and sports	18%
Health and beauty	13%
Restaurants and catering	9%
Household equipment	8%
Services	3%



(1) On average. / (2) In accordance with the General Data Protection Regulation (GDPR). / (3) Non-French retailers (excluding stockrooms) with international exposure.

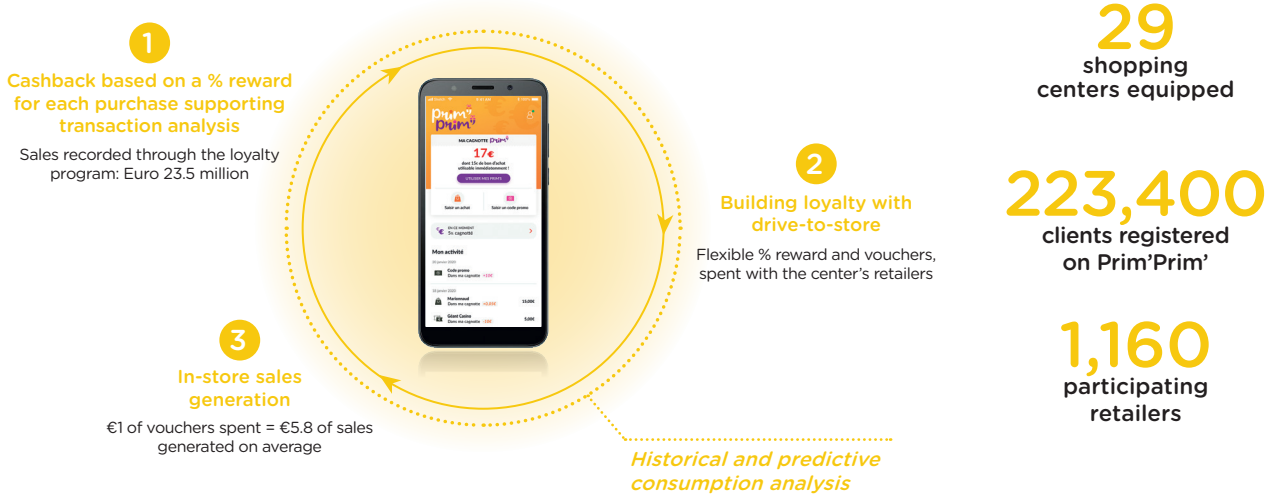
Mercialys builds its retail excellence by anticipating trends in the catchment areas and harnessing its fine-grained understanding of consumers' expectations, thanks to the Business Intelligence (BI) tools developed by the Company over several years. Mercialys owns all of its marketing and service tools (Le Shop, loyalty program, etc.) and has a powerful omnichannel ecosystem that enables its client retailers to free themselves up from the significant increase in costs linked to digitalization (online referencing, commissions paid to marketplace operators) which may in certain cases be higher than the average occupancy cost ratio for Mercialys' tenants, which represents 10.7% of their sales.

G La Galerie

- **UNIQUE** brand and architectural concept;
- Integrated **DIGITAL** B to B and B to C **ECOSYSTEM** and **SERVICES**;
- **NATIONAL** marketing campaigns around a strong identity with a **LOCAL** focus for events and activities.

Prim'Prim', Mercialys' 100% digital loyalty program, rolled out in 2020 and continuously enhanced, is a pioneering solution on the market in terms of understanding end clients' specific needs and habits. This program supports robust commercial development and enables its centers to continuously adapt their offering.
It combines capabilities to accurately identify expectations, with predictive analysis potential, refined client journeys, personalized communication, loyalty building and fluid exchanges between Mercialys, consumers and retailers.

STRONGER CONSUMER LOYALTY, WITH MILLIONS OF EUROS OF TRANSACTIONS ANALYZED (1)



Mercialys' digitalization expertise is helping drive its second major, groundbreaking innovation:
Le Shop , its first-mile and last-mile logistics service, illustrates the unified retail concept developed by the Company, which aims to offer its clients all the products sold in its centers in just a few clicks and with a single order, as well as interchangeable options to receive them at home or to collect them in-store or with the drive-through service.

Le Shop ecosystem aims to:
1. support retailers with their digital transformation;
2. expand our retailers' catchment area by shipping nationwide;
3. offer end customers a fluid omni-channel buying experience.

It is built around three solutions:

Le Shop, Mercialys' proprietary web and mobile marketplace, enabling consumers to buy food and non-food products online directly from their center's retailers.

Logistique, which groups together the first-mile logistics solutions to facilitate the consolidation and shipping of packages from stores, enabling retailers to develop their ship-from-store services.

Consignes, a suite of last-mile logistics solutions and expertise, enabling retailers to deposit their parcels and customers to receive their orders with a click and collect service (parcel collection lockers, Mondial relay package delivery, pick-up, etc.).

(1) In accordance with the General Data Protection Regulation (GDPR).

CSR KNOW-HOW

Powerful, responsible dynamics with strong local roots

Mercialys' third competitive advantage stems from its ability to take into account all its stakeholders. Its positioning at the heart of its communities enables it to effectively understand civil society's expectations and the issues faced. Present in a large number of different regions and cities, Mercialys is able to effectively embrace diverse local realities and needs, ensuring that its actions are responsible and sustainable.

LOCAL ENGAGEMENT is reflected in particular in Mercialys' good understanding of socio-environmental trends and developments in the various regions. This capability enables the Company to identify the stakes involved and capitalize on opportunities for progress and value creation over the medium and long term, ensuring the centers' legitimacy and leadership in their catchment areas, within a constantly evolving environment.

THE GLOBAL RESPONSIBILITY is reflected in its CSR strategy, 4 Fair Impacts for 2030, which is organized around four major commitments:
1. building a carbon neutral future;
2. promoting more responsible retail;
3. being a major partner for regional development;
4. being an engaged employer.
These commitments, and the corresponding goals, are presented in the chart opposite.



1) The Science Based Targets initiative (SBTi) is a non-profit organization that assesses the alignment between the greenhouse gas emission reduction targets set by companies and the recommendations made by scientists in order to effectively limit the increase in global temperatures to 2°C by 2100.
(2) Carbon Disclosure Project (CDP): international non-profit organization which studies each year the impact of major listed companies on CO_2 emissions and climate change.

4 Fair Impacts for 2030, CSR ambition further strengthened

4 Fair Impacts is structured around four commitments that Mercialys has set out looking ahead to 2030. The Company's CSR strategy incorporates the environmental, societal and social stakes into its operational performance.

ALL ENGAGED
AROUND A CSR STRATEGY FOCUSED
ON OUR 4 MAIN IMPACTS

FOR OUR ENVIRONMENT

By targeting carbon neutrality and advocating the rationalized use of resources to reduce our environmental footprint

OUR AMBITIONS FOR 2030

- Targeting net zero carbon emissions
- 100% of waste recovered
- Zero pesticide use

FOR OUR STORES

By jointly building more sustainable retail and living spaces with our tenants

OUR AMBITIONS FOR 2030

- 100% of strategic assets BREEAM In-Use certified
- 100% of centers offering responsible stores and services
- 100% of our tenants engaged in our "responsible landlord tenant" commitments



FOR OUR COMMUNITIES

By positioning our assets at the heart of communities, like springboards for local economic and community life

OUR AMBITIONS FOR 2030

- 100% of centers committed to robust regional development
- 100% of strategic centers with multifunctional spaces
- 100% local and responsible purchases
- Promoting and supporting eco-mobility

FOR OUR TALENTS

By developing our employees' ethical engagement and providing opportunities for fulfilling careers

OUR AMBITIONS FOR 2030

- Maintaining best practices for gender equality
- Developing employee engagement and satisfaction
- Building a culture of exemplary ethical practices

BOARD OF DIRECTORS ALIGNED WITH THE BEST STANDARDS

Mercialys' strategy is led by a Board of Directors that is effectively aligned with market best practices. The Board regularly reviews the way that it operates and its representativeness in order to ensure for both shareholders and the market that it always performs its missions with the independence and objectivity required.

Professionalism, gender parity and engagement

The Board of Directors' continued to be very vigilant and involved faced with the context of high interest rate volatility and inflation, particularly for food products, in 2023.
It has evolved over the years, enabling the Company to consolidate its outstanding practices and further strengthen its ability to develop a proactive and responsible strategy.
The frequency of meetings and the attendance level of close to 100% highlight the dedication of the Company's directors, as well as their essential and complementary areas of expertise.

56%
women directors at end-2023

100%
French directors at end-2023 (1)

7
meetings in 2023

57
average age at end-2023

9
members at end-2023

98%
attendance rate in 2023

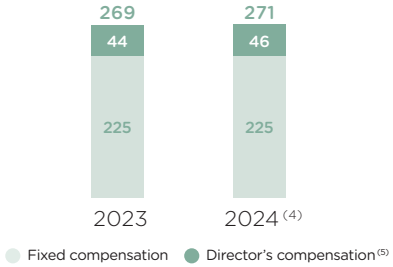
5.1 YEARS
average seniority at end-2023

78%
independent directors at end-2023

Compensation for the Chairman of the Board of Directors

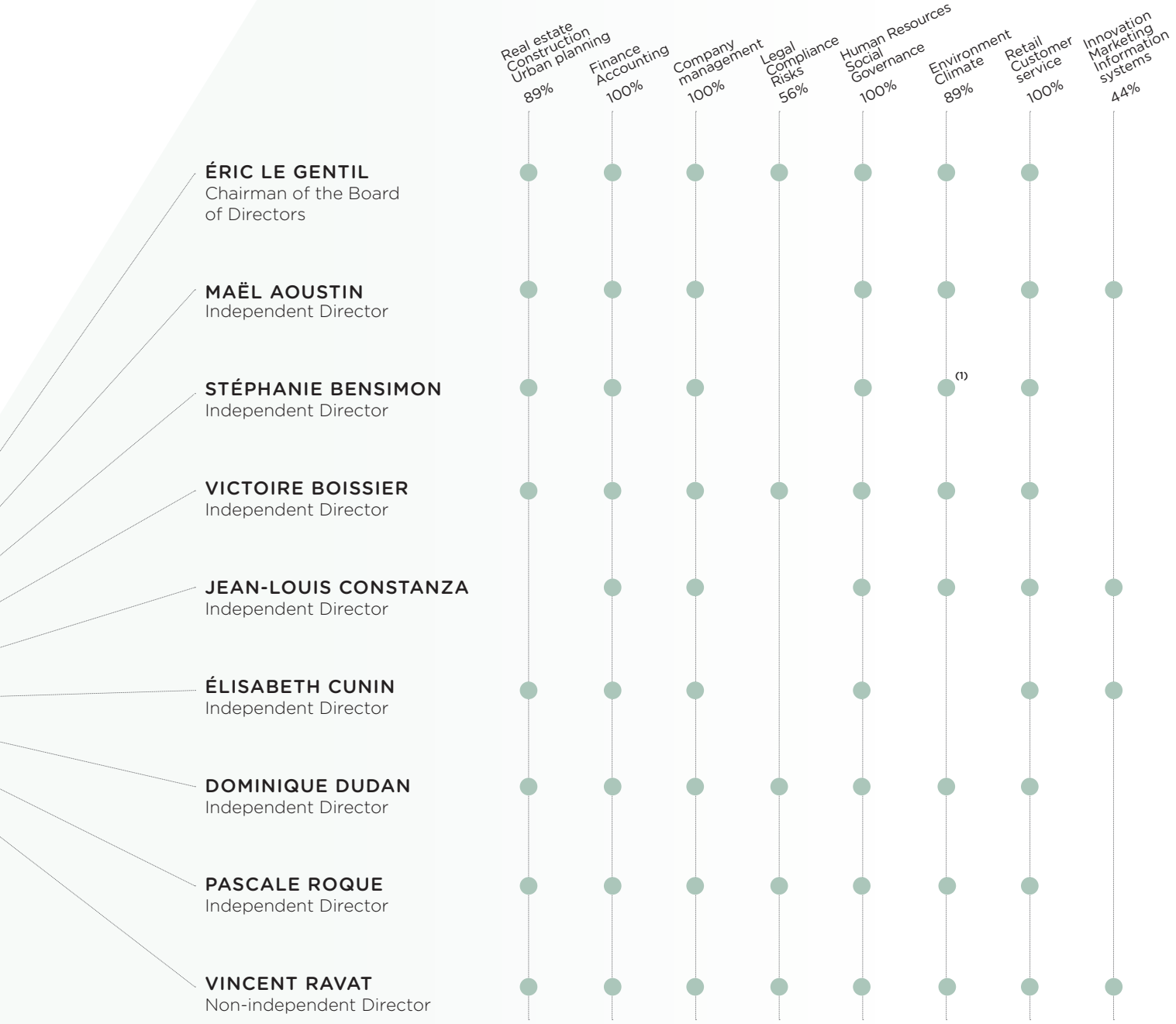
The compensation package for the Chairman of the Board of Directors, Mr Éric Le Gentil, includes compensation for his position as a director and his fixed compensation for the missions entrusted to him in addition to his general responsibilities under the legislation in force(2). He does not receive any variable compensation in cash or securities(3).

CHANGE IN COMPENSATION FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS
(in thousands of euros)



(1) In accordance with the Company's exclusively French geographic exposure. / (2) Notably overseeing relations with the Company's main shareholders and financial and/or industrial partners and helping define the strategy and monitor its implementation. / (3) Excluding the variable component included in his remuneration as a director. / (4) Subject to approval at the Annual General Meeting on April 25, 2024. / (5) For 100% attendance.

AREAS OF EXPERTISE



With three-year terms of office and the regular integration of new directors in line with a demanding selection process (2), Mercialys' Board of Directors has a clear commitment to promoting diversity and renewing its expertise.

This panel of experienced members guarantees a professional, informed approach to all the issues encountered by the Company and represents a source of strategic insights and innovation.

(1) Stéphanie Bensimon was appointed to head up supervision of the CSR approach on April 20, 2021. / (2) Process detailed in the 2023 Universal Registration Document.

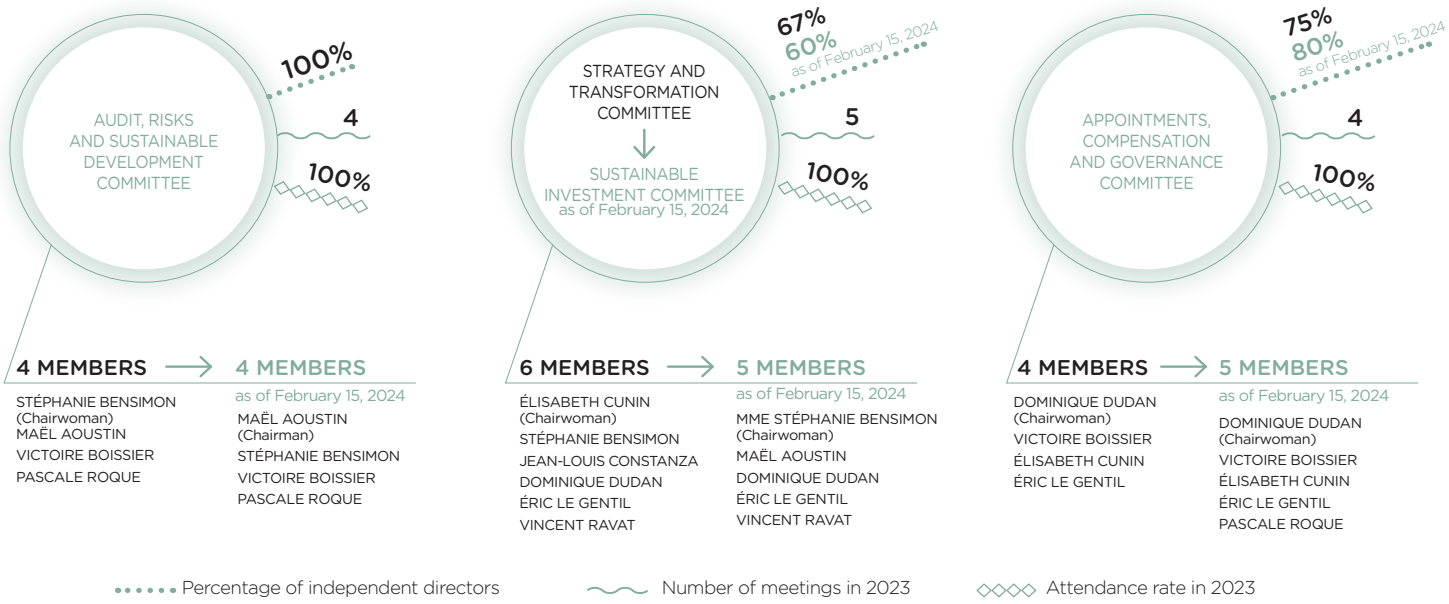
THREE SPECIALIZED COMMITTEES

Mercialys' Board of Directors is supported by three specialized committees, and it has defined their responsibilities and the specific ways that they operate. These committees are made up exclusively of directors appointed by the Board based on their training and experience.

Expert and diligent

Three Specialized Committees assist the Board of Directors. These committees are chaired by independent directors and their composition ensures the balanced representation, independence and expertise of their members.

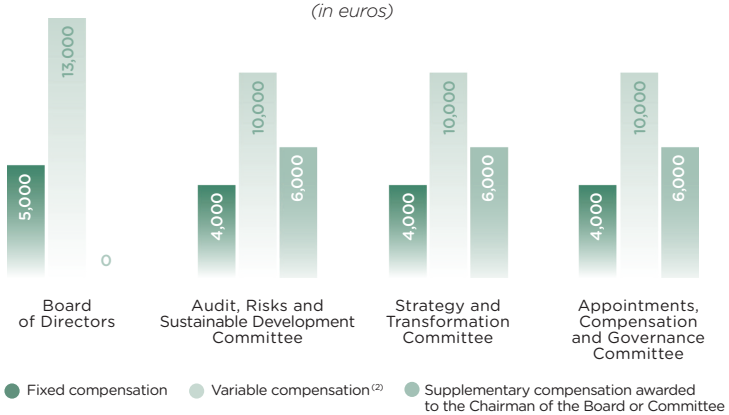
COMPOSITION OF THE SPECIALIZED COMMITTEES



Directors' compensation

In return for their expertise and their contribution to the Company's good governance, Mercialys' directors receive compensation.
This compensation is designed to be balanced, virtuous and aligned with the Company's corporate interests.
The directors' compensation policy ensures compliance with the recommendations from the AFEP-MEDEF Code. Mercialys takes all necessary measures to avoid potential conflict of interest situations.

2024 DIRECTORS' COMPENSATION POLICY [1]
(in euros)



(1) Subject to approval at the Annual General Meeting on April 25, 2024. / (2) For 100% attendance, with directors' variable compensation based on their individual effective rate of attendance for the Board of Directors and the specialized committees.

FULLY DIVERSIFIED SHAREHOLDING STRUCTURE, ENGAGED AND PROACTIVE DIALOGUE

Mercialys is listed on Euronext Paris Compartment B with the ticker MERY and ISIN FR0010241638. The Company is part of the SBF 120, and several real estate industry indexes (EPRA [1], IEIF [2]).

The Company is characterized by its fully diversified capital.

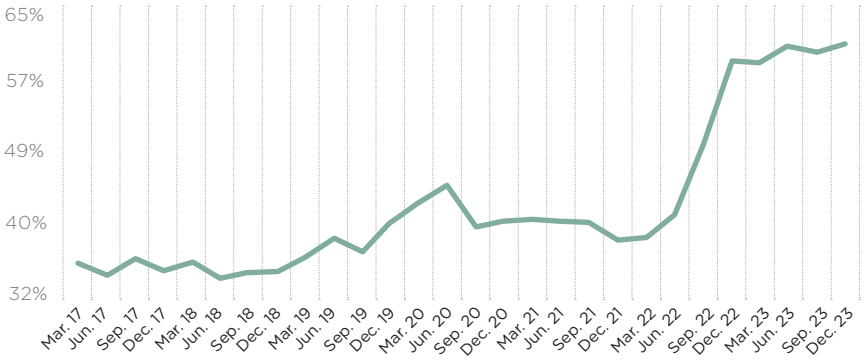
The float represents virtually all of the Company's capital at the end of 2023.

The free float ensures an excellent level of liquidity for the Company's shares and allows shareholders to take up and develop significant positions.

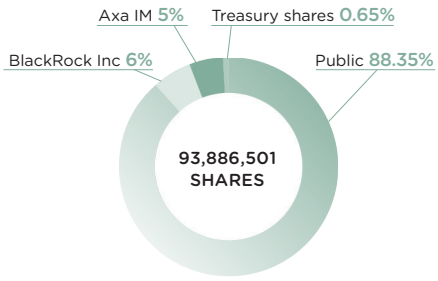
At December 31, 2023, Mercialys' top 33 shareholders held nearly 62% of its capital and voting rights.

By applying the "one share, one vote" rule, Mercialys ensures identical treatment for all its shareholders and this is reflected in the very high levels of participation in its General Meetings each year.

CHANGE IN THE PERCENTAGE OF THE CAPITAL AND VOTING RIGHTS
HELD BY THE TOP 33 SHAREHOLDERS



SHAREHOLDING STRUCTURE
AT DECEMBER 31, 2023



1 SHARE = 1 VOTE

Mercialys is committed to regular, proactive dialogue with its shareholders and more generally with all of its financial stakeholders. In 2023, alongside the many roadshows and contacts led by the management teams, 12 press releases were published for a community of over 900 investors and analysts. The Company also received the "SBF 120" All Categories Transparency Award for Financial and Sustainability reporting, organized by the agency Labrador.

18 roadshows organized with **8** different brokers and **8** countries covered

#1 Transparency Award "SBF120" All Categories for Financial and Sustainability reporting

12 press releases distributed to a base of around **900** investors and analysts

TOP 100 shareholders contacted before each General Meeting

2 **4** results publications and financial information meetings per year

(1) European Public Real Estate Association. / (2) Institut de l'Épargne Immobilière et Foncière.

REGULAR DIALOGUE WITH STAKEHOLDERS

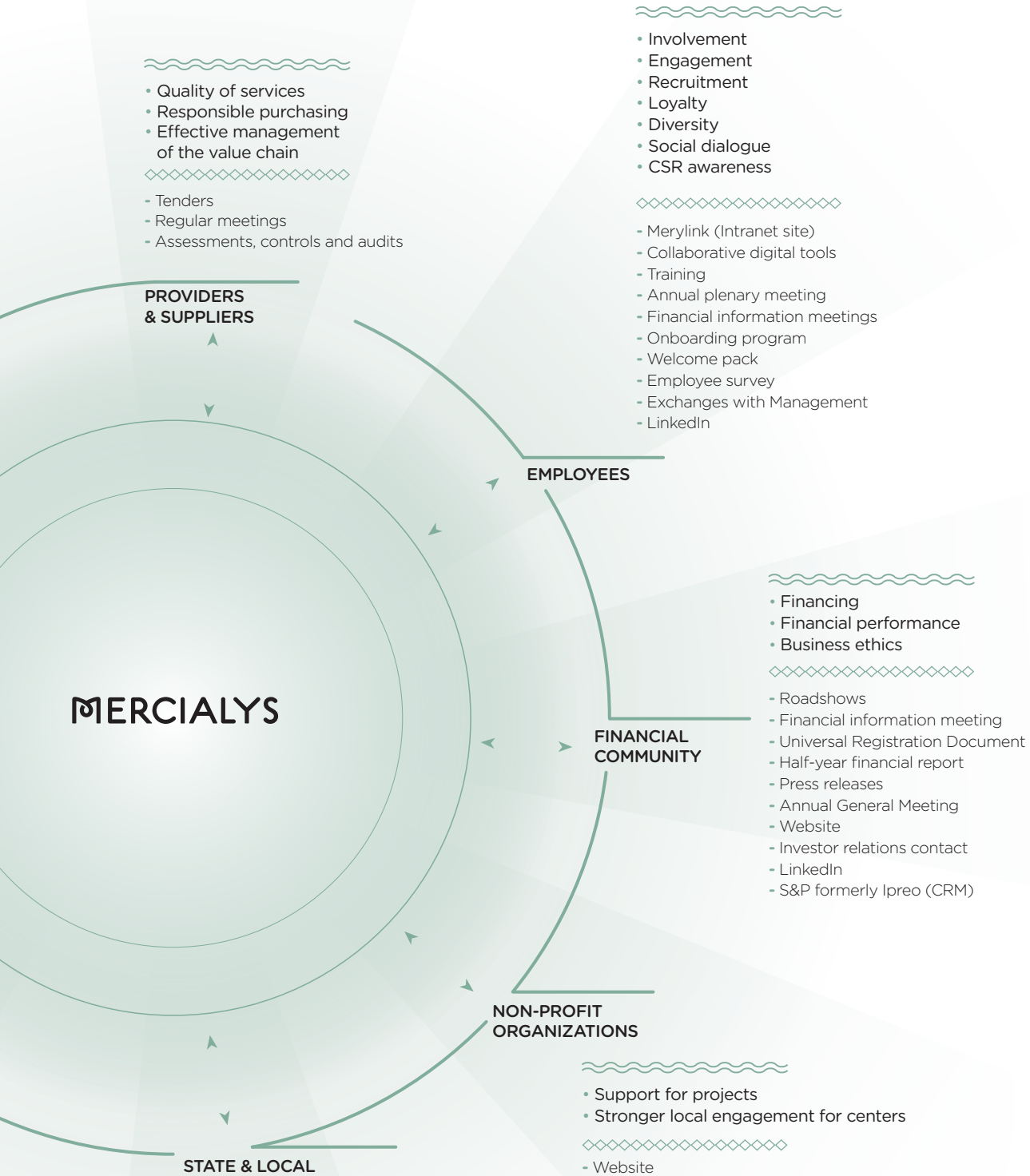
Through its business, Mercialys is part of a major ecosystem of stakeholders with which it builds solid relationships.

The dynamic approach established by the Company, based on regular dialogue, enables it to incorporate their expectations into its strategic reviews, while taking on board the core economic, social, societal, environmental and governance stakes, with a focus on creating lasting and shared value. This has been a crucial asset faced with the health and economic crisis, with dialogue ramped up in particular, making it possible to very quickly adopt new ways of operating in order to maintain each stakeholder's activities.

This dialogue also offers opportunities to build long-term partnerships and more generally to align the Company with a process of continuous improvement and innovation.

Illustrating this approach, the Company regularly consults with all of its stakeholders, from employees to center visitors, retailers, investors and banks, regional authorities.




MERCIALYS
PROVIDERS & SUPPLIERS
• Quality of services
• Responsible purchasing
• Effective management of the value chain
- Tenders
- Regular meetings
- Assessments, controls and audits
EMPLOYEES
• Involvement
• Engagement
• Recruitment
• Loyalty
• Diversity
• Social dialogue
• CSR awareness
- Merylink (Intranet site)
- Collaborative digital tools
- Training
- Annual plenary meeting
- Financial information meetings
- Onboarding program
- Welcome pack
- Employee survey
- Exchanges with Management
- LinkedIn
FINANCIAL COMMUNITY
• Financing
• Financial performance
• Business ethics
- Roadshows
- Financial information meeting
- Universal Registration Document
- Half-year financial report
- Press releases
- Annual General Meeting
- Website
- Investor relations contact
- LinkedIn
- S&P formerly Ipreo (CRM)
NON-PROFIT ORGANIZATIONS
• Support for projects
• Stronger local engagement for centers
- Website
- CSR contact
- Partnerships
- Universal registration document
STATE & LOCAL AUTHORITIES
• Administrative permits
• Project performance
• Economic and societal contribution
- Regional and National Commercial Development Committee (CDAC / CNAC)
- Project information meetings
- Universal Registration Document
- Half-year financial report
- Regulatory controls
Core stakes
Means of dialogue

RISK MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT AND BUSINESS ETHICS

Mercialys is committed to managing its risk profile effectively, while ensuring that its activities are aligned with the best standards of professional ethics. All its internal control and risk management arrangements aim to ensure that the objectives set by Management are achieved, while safeguarding the Company's future and ensuring full compliance with ethical principles.

Organization and approach

Mercialys positions its risk management system at the heart of both its strategy and its operations: it is overseen by a Risk Prevention Committee, which reports to the Executive Leadership Team, and all employees ensure that operational measures are put in place. The Risk Prevention Committee performs its mission, liaising directly with the Audit, Risks and Sustainable Development Committee, which regularly reviews the means in place and issues recommendations on the audit work carried out. This close link proved invaluable faced with the context of health and economic instability and the process to bring a number of key functions in-house between 2019 and 2022. It supported ongoing dialogue between the stakeholders involved in the risk management process and the Company's executive management bodies, enabling decisions to be taken quickly at the head office and the various sites.

RISK PREVENTION COMMITTEE'S MISSIONS



Risk mapping

The Risk Prevention Committee's core risk management tool is the risk map, which identifies all the risks that Mercialys is exposed to. In accordance with the ESMA guidelines [1], 52 risks have been identified and are broken down into eight categories, defined by Mercialys.
To ensure the pragmatic management and monitoring of its risks, the Company has rated them according to their priority. This prioritization system is based on a rating that includes the two dimensions from the mapping matrix: the risk's impact and its probability of occurrence.

IMPACT

Measures the potential impact of a risk for Mercialys if it was to occur

4 types of impact

QUANTIFIABLE
- Net recurrent earnings (NRE)
- Net Asset Value (NAV)

NON-QUANTIFIABLE
- Ability to ensure the implementation of the strategy and continuity of operations
- Reputation

3 rating levels

- LOW
- MODERATE
- HIGH

PROBABILITY

Possibility of a risk occurring, at least once, over different timeframes

3 rating levels

- IMPROBABLE
- POSSIBLE
- PROBABLE

The map is updated on a regular basis. Active monitoring of emerging developments and frequent exchanges with employees make it possible to monitor changes in the risks in line with the Company's environment. They also make it possible to rapidly and efficiently adapt the hedging arrangements and levels as required, and aim to proactively identify new risks.

(1) ESMA31-62-1293 "Guidelines on Risk Factors under the Prospectus Regulation".

Priority risks

Mercialys rates net risks. The priority risks have either: a *moderate* impact with a *probable* probability, or a *high* impact with a *possible* or *probable* probability. Seven of the 53 risks identified meet these criteria. They cover three categories and are presented below.

CATEGORY	7 RISKS	IMPACT	PROBABILITY	TREND
Risks related to the sector	• Risk related to the capitalization rate, the portfolio value and the liquidity of real estate assets on the market	NAV	●	↗
	• Risk related to competition on the physical retail segment	NRE	○	→
	• Risk related to new forms of consumption	NRE	○	→
Risks related to business activities	• Risk related to retailer arbitrage and reletting	NRE	●	↗
	• Risk related to the safety and security of operations and a deterioration in the portfolio	Reputation	○	↘
	• Risk related to acquisitions and construction operations	NAV	○	→
Risks related to the financial position	• Risk related to interest rates, the cost of debt, liquidity and financing	NRE	●	↗

OVERVIEW OF RISK MANAGEMENT ARRANGEMENTS

PRINCIPLES	OBJECTIVES	PARTICIPANTS	TOOLS	RESULTS
• Collaborative approach • Rapid operational implementation • Interactive process • Preventative approach	• Identify • Monitor • Measure • Steer	• Audit, Risks and Sustainable Development Committee • Executive Leadership Team • Risk Prevention Committee • Ethics and Compliance Director • Operational managers • Employees	• Risk mapping • Interviews with employees • Communication and awareness	• Arrangements at the heart of the management team's strategy • Risk profile known and managed effectively

Company's firm focus on sustainable development and ethics

On account of its scale, sector and/or activity, which is concentrated exclusively in France, Mercialys is not subject to a certain number of regulations that have come into force in the last few years. However, in line with its commitments, the Company has voluntarily rolled out various policies, processes and action plans to respond to issues which, while not yet regulatory requirements, are essential for respecting professional ethics and compliance.
For instance, Mercialys has put in place:
• a sustainability performance report (DPEF), reviewed by an independent third-party organization;
• a corruption risk map and dedicated assessment and control procedures, as well as an internal whistleblowing procedure, in accordance with the legislation in force;
• a Stock Market Code of Ethics to prevent insider trading;
• responsible lobbying guidelines;
• a vigilance approach to monitor practices across its value chain, notably by mapping the categories of the Company's spending, integrating CSR clauses into key contracts and tenders, and deploying measures to monitor, assess and/or audit suppliers and providers. In addition, the Company has a Director of Compliance and Ethics, who also serves as the DPO [1].

The Director of Compliance and Ethics is a member of the Risk Prevention Committee and works in line with the Code of Ethics and Code of Conduct, which are available on Mercialys' website: **www.mercialys.com** [2].

(1) Data Protection Officer: person in charge of data protection in an organization. / (2) https://www.mercialys.com/strategy-governance/commitments/code-of-ethics.

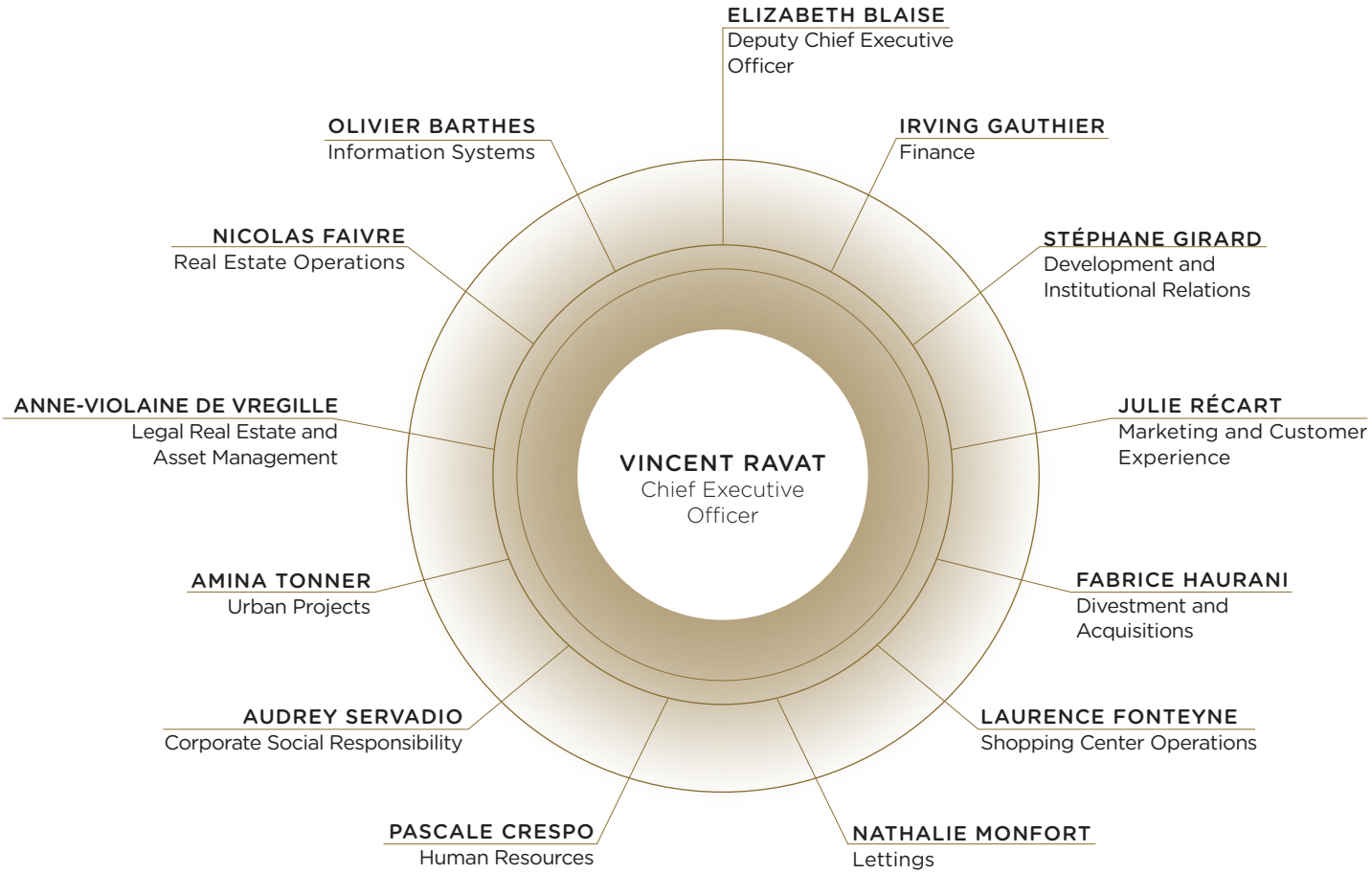
MANAGEMENT COMMITTEE SUPPORTING THE STRATEGY'S EXECUTION

Multidisciplinary, parity and strong operational focus

Mercialys has a multidisciplinary and inclusive Management Committee, with a very strong operational focus and a commitment to parity. The Company achieved second place on the SBF 120 in the ministerial ranking for the representation of women in management structures for listed companies.

The Management Committee was made up of 14 people at December 31, 2023. This expanded composition ensures that it is effectively representative and that the various areas of expertise available to the Company can be capitalized on. All the members have a clear understanding of the challenges involved in Mercialys' business and sector. Their diverse ages, professional backgrounds and experiences represent a source of in-depth exchanges and insights. Their complementary areas of expertise, combined with their broad knowledge base and proximity to the field, further strengthen the Committee's organizational flexibility.

These features are necessary for effective management, especially during a period marked by a health crisis. They enable the Company to remain fully mobilized and operational, with employees across the head office and various sites showing a very strong level of responsiveness, while ensuring full compliance with the safety measures for all the teams.



Balanced and virtuous executive compensation policy aligned with the strategy

Mercialys has an executive compensation policy that is focused on contributing to the Company's short-term and long-term value creation. This policy is compliant with the recommendations from the AFEP-MEDEF Code and is built around three principles:

OBJECTIVE RECOGNITION OF PERFORMANCE

- Variable component higher than the fixed component within the overall compensation package
- Focus on quantifiable criteria for the annual variable and long-term components

VALUING SUSTAINABILITY DIMENSIONS

- Inclusion of CSR criteria in the annual variable component
- Inclusion of CSR criteria in line with the climate objectives in the long-term variable component

CONVERGENCE OF INTERNAL AND EXTERNAL INTERESTS

- Alignment of the interests of executives and shareholders: long-term variable component paid as shares, subject to performances, presence and holding criteria
- Internal fairness: average pay gaps between executives and employees measured and stable over time

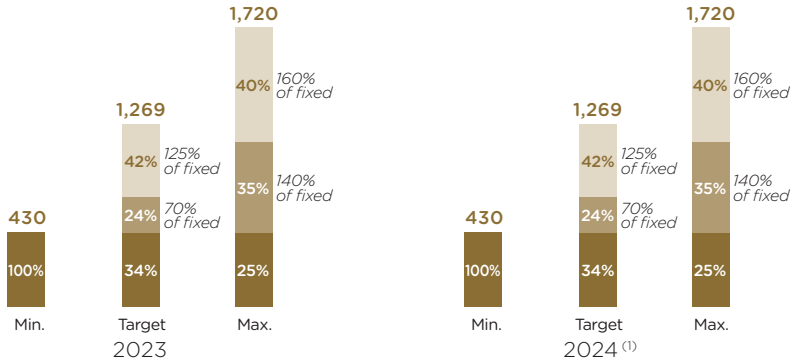
The compensation policy (*ex ante*) and the items of compensation (*ex post*) are set each year by the Board of Directors after consulting with the Appointments, Compensation and Governance Committee.

They are submitted for approval by shareholders at the Annual General Meeting, in accordance with the regulations in force.

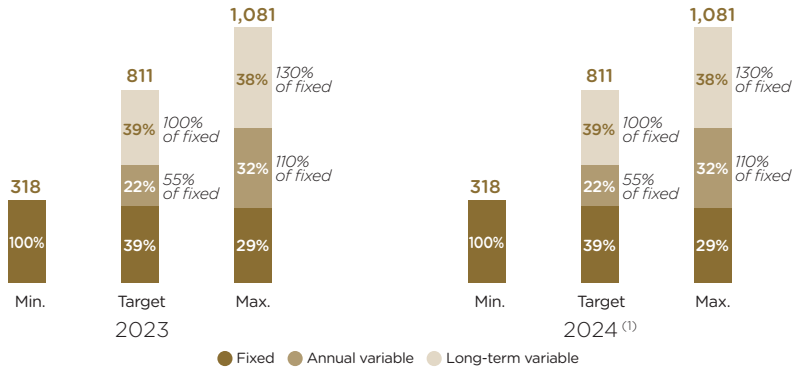
Executive compensation primarily includes a fixed component, a variable annual component and a long-term variable component. The criteria, objectives and thresholds applied to determine the variable components are justified and demanding. The level of compensation for executives is also reasonable in view of the results achieved by Mercialys, their experience and the levels of compensation for employees.

COMPENSATION STRUCTURE

VINCENT RAVAT, CHIEF EXECUTIVE OFFICER *(in thousands of euros)*



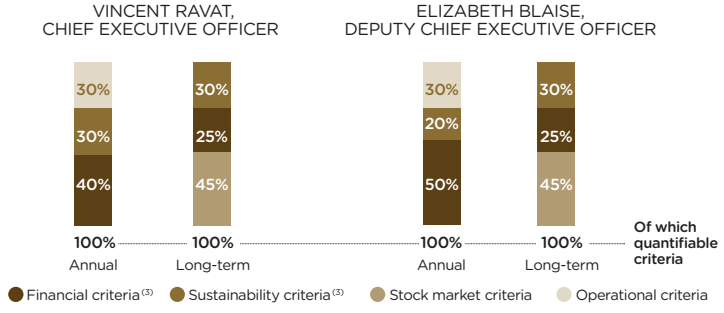
ELIZABETH BLAISE, DEPUTY CHIEF EXECUTIVE OFFICER *(in thousands of euros)*



EQUITY RATIOS (2)

Chief Executive Officer	Deputy Chief Executive Officer
12.0	**7.5**
2023 average	2023 average
13.6	**8.5**
2023 median	2023 median

2023 VARIABLE COMPENSATION CRITERIA FOR EXECUTIVES (1)



(1) Subject to approval at the General Meeting on April 25, 2024. / (2) Calculation methodology detailed in the 2023 Universal Registration Document. / (3) All of the sustainability criteria relate to CSR, for both the Chief Executive Officer and the Deputy Chief Executive Officer.

RESILIENT FINANCIAL AND SUSTAINABILITY VALUE CREATION DESPITE THE IMPACTS OF THE CRISIS

Thanks to its agile organization, focused on achieving excellence, Mercialys is able to maintain constructive dynamics, consolidating the fundamentals for its operational, financial and sustainability performance:

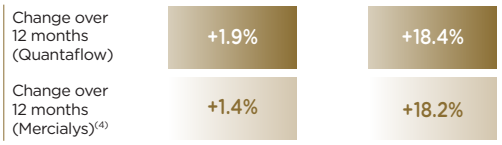




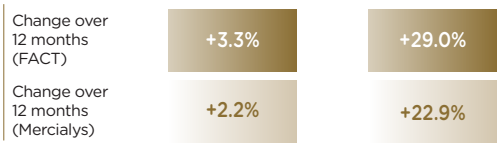
The operational performance of Mercialys' centers is assessed based on:

- Their **footfall**(1), or the number of visitors counted at entrances to the Company's large centers and main convenience shopping centers;
- Their **retailer sales**(1), which measure tenant retailers' operational performance and therefore their financial health;
- The **occupancy cost ratio**(2) for retailers in the centers, which assesses the weighting of real estate in their profit and loss and therefore the sustainability of the rents charged;
- The **current financial vacancy rate**(3), which makes it possible to assess the centers' commercial management;
- The **collection rate**, which assesses the proportion of rent, charges and work invoiced to tenants effectively received by the Company.

CHANGE IN SHOPPING CENTER FOOTFALL



CHANGE IN RETAILER SALES



(1) Mercialys' large centers and main convenience shopping centers based on a constant surface area, representing more than 85% of the value of the Company's shopping centers.
(2) Ratio between rent, charges (included marketing funds) and invoiced work (including tax) paid by retailers and their sales revenue (including tax), excluding large food stores. /
(3) Mercialys' vacancy rate does not include agreements relating to the Casual Leasing business. / (4) Shopping centers only.

CHANGE IN THE OCCUPANCY COST RATIO



CHANGE IN THE CURRENT FINANCIAL VACANCY RATE



CHANGE IN THE COLLECTION RATE(3)
(Dec 31, of the corresponding year)

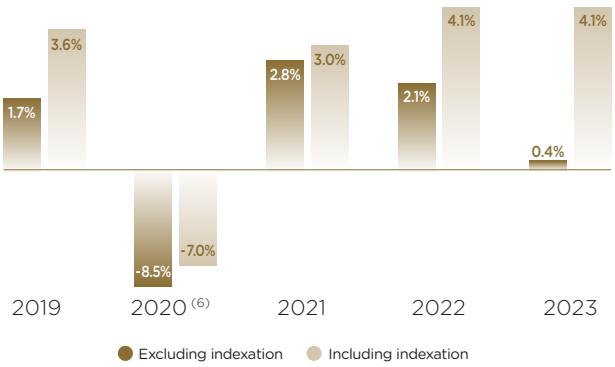


FINANCIAL PERFORMANCE

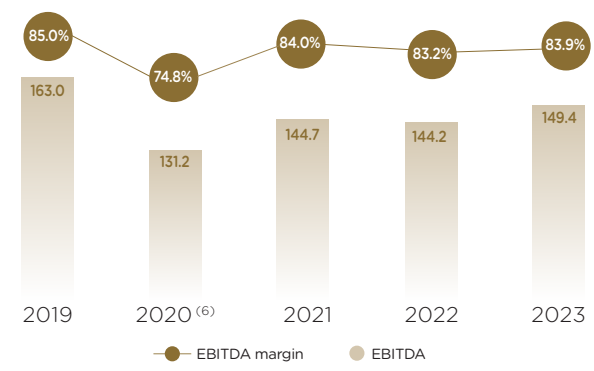
Financial performance is primarily assessed based on:

- **Organic growth** in rental income, which measures the change in the Company's revenues excluding the impact of acquisitions and disposals;
- **EBITDA margin**(4), which assesses the efficiency of its operational management;
- **Net recurrent earnings** (NRE(5)), which makes it possible to assess the change in its recurrent income;
- **Net asset value** (NAV), which measures the residual value of the Company's assets after reimbursing its creditors;
- The **LTV, ICR**, and **net debt/EBITDA** ratios, which make it possible to assess the sustainability of its debt;
- **Dividend yield**, with 95% of the recurrent taxable profit and 70% of the capital gains from asset disposals to be distributed as dividends in accordance with the tax status of French listed real estate investment trusts (SIIC), which Mercialys has been entitled to since 2005.

CHANGE IN THE ORGANIC RENTAL INCOME GROWTH RATE



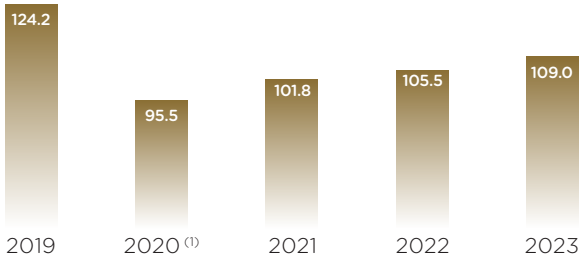
CHANGE IN EBITDA *(in millions of euros)* AND THE EBITDA MARGIN *(in %)*



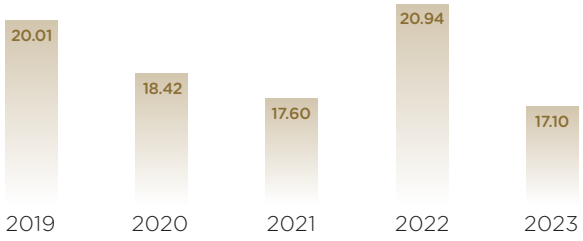
(1) Occupancy cost calculation not effective due to the periods when stores were ordered to close. / (2) Indicator notably affected by the integration within Mercialys' portfolio of the Dijon Chenôve shopping center, acquired at the end of December 2020 with a view to relaunching this asset. / (3) Excluding relief granted and to be granted to retailers in connection with the two lockdowns in 2020 (including the relief measures, the 2020 collection rate represents 96.3%). / (4) EBITDA margin: earnings before interest, taxes, depreciation, amortization and other operating income and expenses. Margin calculated on rental revenues. / (5) NRE: net recurrent earnings. / (6) Highly negative impact of the health crisis.

FINANCIAL PERFORMANCE

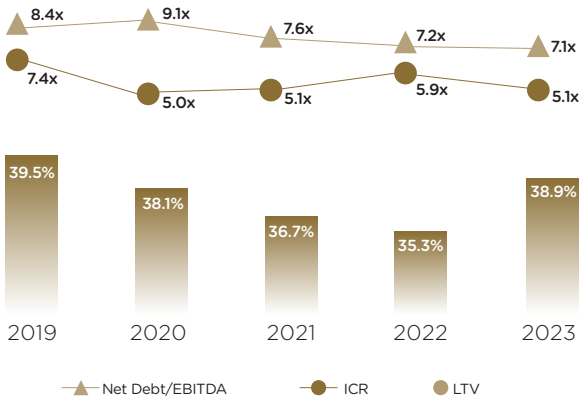
CHANGE IN NET RECURRENT EARNINGS (NRE)
(in millions of euros)



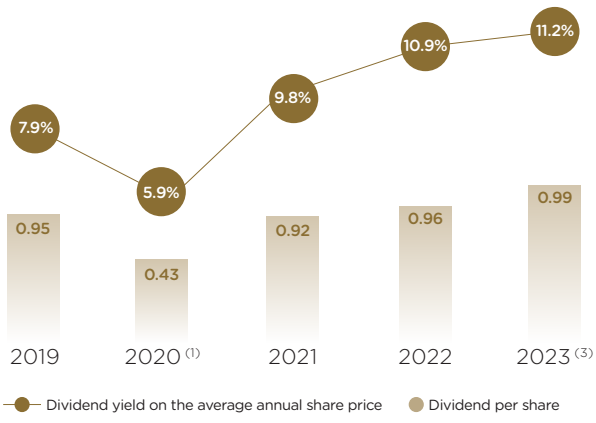
CHANGE IN EPRA NDV (2)
(in euros per share)



CHANGE IN THE LTV *(excluding transfer taxes)*, ICR AND NET DEBT / EBITDA RATIOS



CHANGE IN THE DIVIDEND *(in euro per share)* AND DIVIDEND YIELD



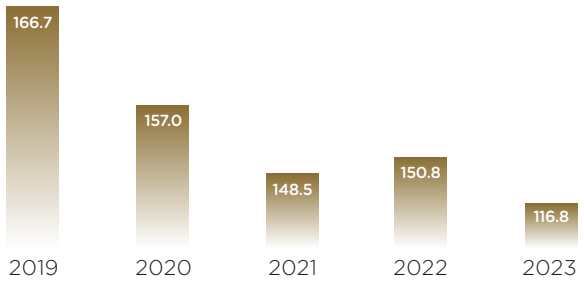
(1) Highly negative impact of the health crisis. / (2) Net Disposal Value. / (3) Subject to approval at the General Meeting on April 25, 2024.

SUSTAINABILITY PERFORMANCE

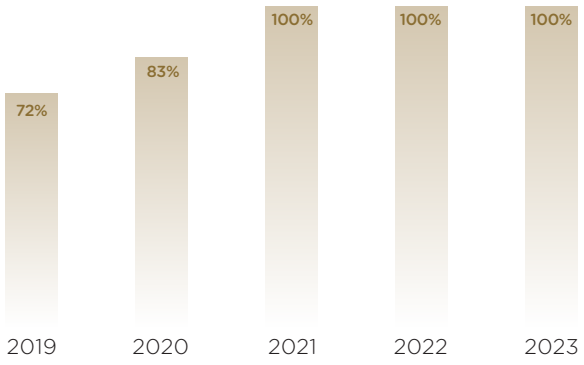
Mercialys' sustainability performance is monitored based on the following aspects:

- **Energy intensity per square meter** for its centers, which illustrates their efficiency in terms of energy consumption;
- **Percentage of the strategic portfolio that is BREEAM In-Use certified**, the retail real estate sector's leading international certification;
- **Shopping center waste recovery**, which demonstrates the cooperation established between the Company and its retailers in terms of sustainable development;
- Direct and indirect **carbon emissions** (scopes 1 and 2), a key indicator for monitoring the effective management of Mercialys' carbon footprint, in line with its commitment to tackling climate change;
- **Employee training**, which ensures their professional development and the effective alignment between their profiles and the Company's future requirements for skills;
- **Workplace gender equality index**, which assesses the ability to ensure equal treatment for all employees and to recognize their unique features and diversity.

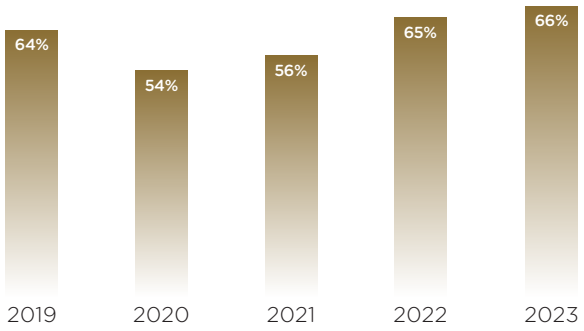
CHANGE IN ENERGY INTENSITY PER SQUARE METER
(in kWhef/sq.m. - current basis)



CHANGE IN THE PERCENTAGE OF THE STRATEGIC PORTFOLIO WITH BREEAM IN-USE CERTIFICATION
(% of the total value of the strategic portfolio including transfer taxes)



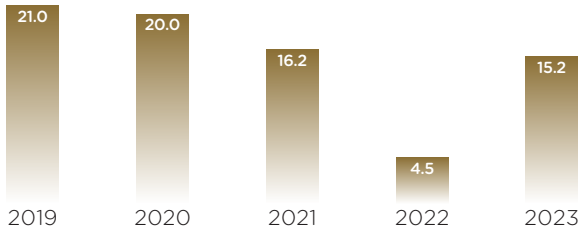
CHANGE IN THE SHOPPING CENTERS' WASTE RECOVERY RATE
(current basis)



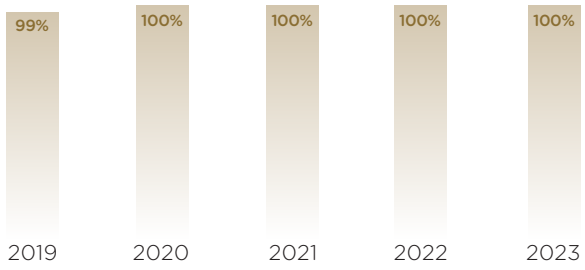
SUSTAINABILITY PERFORMANCE

CHANGE IN DIRECT AND INDIRECT CARBON EMISSIONS

(Scopes 1 and 2 – in kg of CO_2 equivalent/sq.m. - market-based method – current basis)

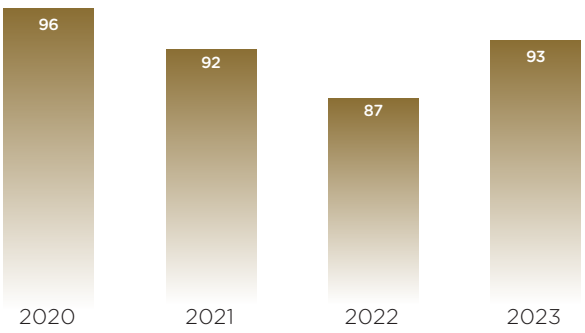


CHANGE IN THE PERCENTAGE OF EMPLOYEES TRAINED



CHANGE IN THE WORKPLACE GENDER EQUALITY INDEX

(Rating / 100)



Mercialys' sustainability performance levels re regularly recognized by industry benchmarks and rating agencies, with particularly exceptional results in 2023.

Mercialys confirmed its CDP A List status for the sixth consecutive year, recognized as one of the 346 best-performing companies worldwide out of the 23,000 companies that completed the questionnaire for its approach to reduce its carbon footprint and combat climate change. The Company also maintained its GRESB Green Star status [1] for the eighth year and consolidated its position as a leader for sustainable development, while maintaining its second-place ranking among listed European retail property companies.

Lastly, its strong commitment to information and reporting transparency was recognized once again by EPRA, with another two Gold Awards, and at the 14th Transparency Awards [2] ceremony, where it received the Grands Prix de la Transparence "All Categories" Award for financial and sustainability reporting, with Mercialys ranked first on the SBF 120.

These achievements once again confirm the Company's leading position for corporate social responsibility, which the new phase of Mercialys' CSR strategy – 4 Fair Impacts – will continue building on.

	GRESB	CDP	Gaïa Index	Sustainalytics	MSCI	ISS-oekom	Transparency Awards	EPRA	Ministère chargé de l'égalité entre les femmes et les hommes, de la diversité et de l'égalité des chances
2023	Score: 89/100 Green Star status	Rating: A Member of the A List	n/a	Score: 8.8[4] Industry and Regional Top-Rated ESG Company	Rating: A	Rating: B- Prime status	#1 on SBF 120 Grand Prix "All Categories" Award	BPR Gold Award sBPR Gold Award	Score: 93.4/100 #2 on SBF 120
2022	Score: 91/100 Green Star status	Rating: A Member of the A List	Score: 90/100	Score: 8.5 Industry and Regional Top-Rated ESG Company	Rating: A	Rating: B- Prime status	Award for Best General Meeting Brochure	BPR Gold Award sBPR Gold Award	Score: 91.7/100 #2 on SBF 120
2021	Score: 89/100 Green Star status	Rating: A Member of the A List	Score: 89/100 #1 in its category Member of the Gaïa index	Score: 9.1 Industry and Regional Top-Rated ESG Company	Rating: A	Rating: B- Prime status	Award for Best Universal Registration Document	BPR Gold Award sBPR Gold Award	Score: 85/100 #3 on SBF 120
2020	Score: 85/100[3] Green Star status	Rating: A Member of the A List	Score: 87/100 #1 in its category Member of the Gaïa index	Score: 9.4	Rating: A	Rating: B- Prime status	#1 on SBF 120 Grand Prix "All Categories" Award	BPR Gold Award sBPR Gold Award	#4 on SBF 120
2019	Score:90/100 Green Star status	Rating: A Member of the A List	Score: 85/100 Member of the Gaïa index	Score: 11.74	Rating: A	Rating: B- Prime status	Classified out of category Award for Best Universal Registration Document	BPR Gold Award sBPR Gold Award	#4 on SBF 120
2018	Score: 87/100 Green Star status	Rating: A Member of the A List	Score: 82/100 Member of the Gaïa index	-	Rating: BBB	Rating: B- Prime status	#1 on SBF 120 Grand Prix "All Categories" Award	BPR Gold Award sBPR Gold Award	#4 on SBF 120

(1) Global Real Estate Sustainability Benchmark: international benchmark that assesses the CSR policies and performances of real estate companies each year. / (2) Each year, the Transparency Awards recognize listed French companies from the SBF 120 for the clarity and quality of their regulatory reporting, based on 281 objective and public criteria concerning their main financial and sustainability reporting materials. / (3) Score not comparable due to a change in the methodology. / (4) Risk approach used by Sustainalytics: the lower the score, the better the company's assessment.



MERCIALYS

16-18, rue du Quatre-Septembre - 75002 Paris

Email: contact@mercialys.com

www.mercialys.com

Photo credits: Franck Ferville, Fabrice Crocquet, Benoît Gendron et Myphotoagency.

Designed & published by LABRADOR +33 (0)1 53 06 30 80